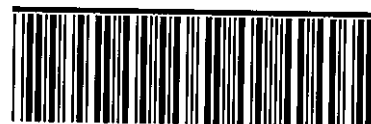


REGISTRAR
OF COMPANIES
459576

STAR DIAMOND COMPANY LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 24TH MAY 1994

HAROLD EYRETT DEEPOD
Chartered Accountants
HAXFORD HOUSE
103 GREAT POWELLAND STREET
LONDON W1N 6BH



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COMPANIES HOUSE 16/03/95

STAR DIAMOND COMPANY LIMITED

FINANCIAL STATEMENTS

24TH MAY 1994

<u>CONTENTS</u>	<u>Page</u>
General Information	1
Report of the Directors	2
Statement of Directors' Responsibilities	3
Report of the Auditors	4
Consolidated Profit and Loss Account	5
Consolidated Balance Sheet	6
Balance Sheet	7
Consolidated Cash Flow Statement	8
Statement of Recognised Gains and Losses	9
Notes to the Financial Statements	10 - 24

STAR DIAMOND COMPANY LIMITED

GENERAL INFORMATION

DIRECTORS

D.D. Fiszman
P.I. Propper
D.L. Bucks

JOINT SECRETARIES

P.I. Propper
D.L. Bucks

REGISTERED OFFICE

Harford House
101-103 Great Portland Street
London
WIN 6BH

BANKERS

National Westminster Bank Plc

AUDITORS

Harold Everett Wreford
Chartered Accountants
Harford House
101-103 Great Portland Street
London
WIN 6BH

STAR DIAMOND COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 24th May 1994.

BUSINESS REVIEW

The principal activity of the company and the group during the year continued to be that of dealing in diamonds, and there are no plans for any significant changes during the next financial year.

The results for the year are shown on page 5 of the financial statements.

An interim dividend of 10p per 'D' share was paid during the year. The directors do not recommend the payment of any further dividends for the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their beneficial interests in the company's shares throughout the year were:

	<u>Shares of £1 each</u>		
	<u>'A'</u>	<u>'B'</u>	<u>'C'</u>
D.D. Fizman	90,000	113,500	400,000
P.I. Propper	-	-	-
D.L. Bucks	-	-	-

FIXED ASSETS

Changes in fixed assets are shown in notes 9 and 10 to the financial statements.

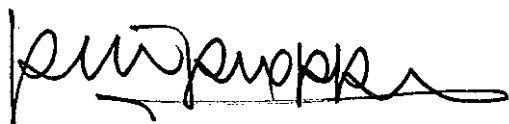
CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations for charitable purposes amounted to £50,690. No contributions were made for political purposes.

AUDITORS

A resolution proposing the re-appointment of Harold Everett Wreford, Chartered Accountants, as auditors to the company will be put to the annual general meeting.

By Order of the Board



P.I. Propper
Joint Secretary

10th March 1995

STAR DIAMOND COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of the company's affairs and of the profit or loss of the company for that period. In preparing those financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF STAR DIAMOND COMPANY LIMITED

We have audited the financial statements on pages 5 to 24 which have been prepared under the historical cost convention and the accounting policies set out in note 1.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

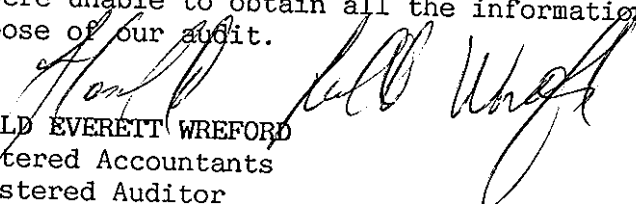
We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the valuation of diamond stock valued at £689,088 included within total stock of £2,423,811 appearing in the company's balance sheet, and £2,067,373 included within total stock of £3,803,006 appearing in the consolidated balance sheet. Any adjustment to these figures would have a corresponding effect on the profit for the year.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the valuation of stock, in our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 24th May 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the valuation of stock we were unable to obtain all the information that we considered necessary for the purpose of our audit.


HAROLD EVERETT WREFORD
Chartered Accountants
Registered Auditor
Harford House
101-103 Great Portland Street
London
W1N 6BH
10th March 1995

STAR DIAMOND COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 24TH MAY 1994

	Notes	£	1994	£	£	1993	£
Turnover	2			11,324,211			10,318,299
Cost of sales				(10,244,979)			(9,258,223)
<u>GROSS PROFIT</u>				1,079,232			1,060,076
Administrative expenses		(2,139,529)			(1,835,086)		
Other operating income		1,927,456			1,430,846		
				(212,073)			(404,240)
<u>OPERATING PROFIT</u>		3		867,159			655,836
(Loss) profit on disposal of fixed assets	4			(61,749)			892,251
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</u>				805,410			1,548,087
Income from fixed asset investments	5	146,707			194,651		
Interest received		26,226			12,029		
Interest payable	6	(98,439)			(196,479)		
				74,494			10,201
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		2		879,904			1,558,288
Taxation	7			(197,056)			(119,023)
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>				682,848			1,439,265
Minority interests				274			(24)
<u>PROFIT FOR THE FINANCIAL YEAR</u>				683,122			1,439,241
Dividends	8			(6,000)			(6,000)
<u>RETAINED PROFIT FOR THE YEAR</u>		18		£ 677,122			£ 1,433,241

The group's turnover and expenses relate wholly to continuing operations.

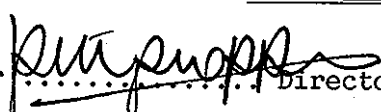
STAR DIAMOND COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

AT 24TH MAY 1994

	Notes	£	1994	£	£	1993	£
<u>FIXED ASSETS</u>							
Tangible	9a			562,353			268,793
Investments	10a			5,062,002			4,561,470
				<hr/>			<hr/>
				5,624,355			4,830,263
<u>CURRENT ASSETS</u>							
Stocks	11	3,803,006			2,711,683		
Debtors	12	8,260,246			6,729,362		
Cash at bank and in hand		1,011,531			521,641		
				<hr/>			<hr/>
			13,074,783			9,962,686	
<u>CREDITORS: Amounts falling due within one year</u>	13	6,284,630				3,104,020	
			<hr/>			<hr/>	
<u>NET CURRENT ASSETS</u>				6,790,153			6,858,666
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>							
				<hr/>		<hr/>	
				12,414,508			11,688,929
<u>CREDITORS: Amounts falling due after more than one year</u>	14	-				5,420	
<u>PROVISION FOR LIABILITIES AND CHARGES</u>	15	-				118	
				<hr/>		<hr/>	
				-		-	5,538
				<hr/>		<hr/>	
				£12,414,508			£11,683,391
<u>CAPITAL AND RESERVES</u>							
Called up share capital	16			771,750			771,750
Share premium account				12,500			12,500
Other reserves	17			579,145			579,145
				<hr/>			<hr/>
Profit and loss account	18			1,363,395			1,363,395
				11,037,326			10,305,393
				<hr/>			<hr/>
<u>SHAREHOLDERS' FUNDS</u>	19			12,400,721			11,668,788
Minority interests in subsidiaries				13,787			14,603
				<hr/>			<hr/>
				£12,414,508			£11,683,391
				<hr/>			<hr/>

D.D. Fizman  Director

P.I. Propper  Director


These financial statements were approved by the board on 10th March 1995.

STAR DIAMOND COMPANY LIMITED

BALANCE SHEET

AT 24TH MAY 1994

	<u>Notes</u>	£	1994	£	£	1993	£
<u>FIXED ASSETS</u>							
Tangible	9b		445,806			123,735	
Investments	10b		3,067,404			2,663,594	
			<hr/>			<hr/>	
			3,513,210			2,787,329	
<u>CURRENT ASSETS</u>							
Stocks	11	2,423,811			1,156,075		
Debtors	12	7,421,384			5,677,266		
Cash at bank and in hand		973,589			507,338		
			<hr/>		<hr/>		
			10,818,784			7,340,679	
<u>CREDITORS: Amounts falling</u>							
<u>due within one year</u>	13	5,234,091			1,667,790		
			<hr/>		<hr/>		
<u>NET CURRENT ASSETS</u>			5,584,693			5,672,889	
<u>TOTAL ASSETS LESS CURRENT</u>							
<u>LIABILITIES</u>			£ 9,097,903			£ 8,460,218	
			<hr/> <hr/>			<hr/> <hr/>	
<u>CAPITAL AND RESERVES</u>							
Called up share capital	16		771,750			771,750	
Share premium account			12,500			12,500	
Other reserve	17		528,250			528,250	
			<hr/>			<hr/>	
Profit and loss account	18		1,312,500			1,312,500	
			7,785,403			7,147,718	
			<hr/>			<hr/>	
<u>SHAREHOLDERS' FUNDS</u>	19		£ 9,097,903			£ 8,460,218	
			<hr/> <hr/>			<hr/> <hr/>	

D.D. Fiszman  Director

P.I. Propper  Director

These financial statements were approved by the board on 10th March 1995.

STAR DIAMOND COMPANY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 24TH MAY 1994

	Notes	£	<u>1994</u>	£	£	<u>1993</u>	£
<u>NET CASH FLOW FROM</u>							
<u>OPERATING ACTIVITIES</u>	20			1,430,081			712,481
<u>RETURNS ON INVESTMENTS AND</u>							
<u>SERVICING OF FINANCE</u>							
Interest received		26,226				12,029	
Interest paid		(98,439)				(196,479)	
Dividends received		80,334				118,037	
Dividends paid		(6,000)				(6,000)	
Net cash inflow (outflow)				2,121			(72,413)
<u>TAXATION</u>							
Corporation tax paid		(18,455)				-	
Income tax paid		(19,592)				(27,469)	
Net cash outflow				(38,047)			(27,469)
<u>INVESTING ACTIVITIES</u>							
Payments to acquire:							
tangible fixed assets		(472,563)				(11,683)	
fixed asset investments		(403,810)				-	
Receipts from disposals of:							
tangible fixed assets		1,895				6,235	
fixed asset investments		-				1,589,404	
subsidiary	21	20,028				-	
Recovery arising from							
fixed asset investment							
previously written off		-				10,169	
Net cash (outflow) inflow				(854,450)			1,594,125
Net cash inflow before							
financing				539,705			2,206,724
<u>FINANCING</u>	22						
Loan repayments				(187,869)			(7,785)
<u>INCREASE IN CASH AND</u>							
<u>CASH EQUIVALENTS</u>	23			£ 351,836			£ 2,198,939

STAR DIAMOND COMPANY LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 24TH MAY 1994

	<u>1994</u> £	<u>1993</u> £
Group profit for the financial year	677,122	1,433,241
Currency translation differences	54,811	468,607
Total recognised gains and losses for the year	<u>£731,933</u>	<u>£1,901,848</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24TH MAY 1994

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements continue to be prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

The financial statements comply with Financial Reporting Standard Number 3, 'Reporting Financial Performance', which effectively eliminates extraordinary items. Profits and losses previously reported as extraordinary items have been restated accordingly.

b) Basis of Consolidation

The consolidation comprises the financial statements of the company and its subsidiaries made up to the balance sheet date, with the exception of London Star S.A. (Proprietary) Limited, whose financial year end is 28th February. The accounts of Star Diamond Company (Israel) Limited have not been consolidated as the company has been dormant for many years.

As permitted by Section 230 Companies Act 1985, a profit and loss account dealing with the results of the holding company only is not presented as part of these financial statements.

c) Related Companies

Investment in related companies are stated at the group's share of the fair value of the underlying net assets less provisions. The group's share of the profits (less losses) of related companies is included in the consolidated profit and loss account.

d) Turnover

Turnover represents the invoiced amount of goods sold and services provided to customers outside the group stated net of value added tax and trade discounts.

e) Depreciation and Amortisation

Depreciation and amortisation are provided on tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life.

The rates used are on a reducing balance basis as follows:

	<u>Diamond Dealing</u>	<u>Studio Recording</u>
Plant and machinery) 50% - first year	20%
Furniture, fixtures and office equipment) and 20% thereafter	20%
Motor vehicles) 20%	20%

Short leaseholds (those under 50 years) are amortised in equal instalments over the remaining period of the lease.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

1. ACCOUNTING POLICIES (Continued)

f) Stocks

Stocks are valued at the lower of cost and net realisable value.

g) Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Translation differences are included in the profit for the year on ordinary activities. Differences arising from the translation of the net investments in subsidiary and related companies, together with differences between income statements translated at average and closing rates, are recorded as movements on reserves.

h) Deferred Taxation

Taxation is potentially payable on timing differences, which include the difference between the net book values of fixed assets in the financial statements and their written down values for taxation purposes. Where the directors consider that an actual liability will arise in the foreseeable future, provision has been made to cover that amount, using the liability method.

i) Leased and Hired Assets

Assets acquired under hire purchase and finance lease agreements are capitalised and amounts still owing to the finance company at the balance sheet date are included as appropriate in creditors for amounts falling due either within or after more than one year. Repayments are treated as consisting of both capital and interest with the interest element being charged to profit and loss account.

Payments under operating leases and other hiring agreements are charged to profit and loss account as they fall due.

j) Pension Payments

Pension payments are charged to the profit and loss account in the year in which they are paid.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

2. TURNOVER AND PRE-TAX PROFIT

	<u>Turnover</u>		<u>Pre-tax Profit</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	£	£	£	£
Analysis by activity:				
Diamond dealing	10,912,733	9,983,292	925,781	1,637,923
Share dealing	122,814	16,498	19,490	(698)
Studio recording	288,664	318,509	(65,367)	(78,937)
	<u>£11,324,211</u>	<u>£10,318,299</u>	<u>£879,904</u>	<u>£1,558,288</u>
Geographical analysis:				
U.K.	9,186,684	5,340,346		
Export	2,137,527	4,977,953		
	<u>£11,324,211</u>	<u>£10,318,299</u>		

In the opinion of the directors, further disclosure of the information in respect of turnover required by Schedule 4, Paragraph 55, Companies Act 1985 would be seriously prejudicial to the interests of the group.

3. OPERATING PROFIT

	<u>1994</u>	<u>1993</u>
	£	£
a) This is stated after charging (crediting):		
Directors' emoluments	820,025	586,974
Wages and salaries	391,178	423,664
Social security costs	79,493	83,497
Other pension costs	19,807	23,841
	<u>1,310,503</u>	<u>1,117,976</u>
Total staff costs - see b) overleaf		
Auditors' remuneration	42,615	45,976
Depreciation and amortisation	100,095	68,813
Hire of equipment	10,942	18,678
Loss (profit) on disposal of tangible fixed assets	1,098	(6,235)
	<u>1,476,153</u>	<u>1,338,625</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

3.	<u>OPERATING PROFIT (Continued)</u>	<u>1994</u>	<u>1993</u>
b)	<u>Staff Costs (Including Directors)</u>		
	Average weekly number of employees:	<u>No.</u>	<u>No.</u>
	Management	6	7
	Administration	14	15
	Factory	2	3
	Sales	5	5
	Studio	5	6
		—	—
		32	36
	Directors' remuneration, excluding pension contributions, was as follows:	=	=
	Chairman and highest paid director	£305,600	£322,123
	Other directors received remuneration in the following bands:	=	=
		<u>No.</u>	<u>No.</u>
	£40,001 to £45,000	1	1
	£45,001 to £50,000	-	1
	£50,001 to £55,000	1	-
		=	=
4.	<u>(LOSS) PROFIT ON DISPOSAL OF FIXED ASSETS</u>	<u>£</u>	<u>£</u>
	Loss on disposal of tangible fixed asset	(71,728)	-
	Provision for diminution in value of related company	-	(20,201)
	Profit on disposal of fixed asset investment	9,979	902,283
	Recovery arising from fixed asset investment previously written off	-	10,169
		=	=
		£(61,749)	£892,251
		=	=

The above have had no effect on the taxation charge for the year.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

9. TANGIBLE FIXED ASSETS

(a) <u>The Group</u>	<u>Short Leasehold Premises</u>	<u>Plant & Machinery</u>	<u>Furniture, Fixtures & Office Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>Cost</u>	£	£	£	£	£
At 25th May 1993	150,597	427,571	333,766	184,118	1,096,052
Additions	446,625	5,508	1,737	18,693	472,563
Disposals	(150,597)	-	(26,084)	(30,621)	(207,302)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 24th May 1994	446,625	433,079	309,419	172,190	1,361,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>Depreciation and Amortisation</u>				
At 25th May 1993	74,755	314,059	297,496	140,949	827,259
For the year	48,777	26,915	10,067	14,336	100,095
Disposals	(78,869)	-	(25,728)	(23,797)	(128,394)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 24th May 1994	44,663	340,974	281,835	131,488	798,960
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>Net Book Value</u>				
At 24th May 1994	£401,962	£ 92,105	£ 27,584	£ 40,702	£562,353
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 24th May 1993	£ 75,842	£113,512	£ 36,270	£ 43,169	£268,793
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

9. TANGIBLE FIXED ASSETS (Continued)

(b) <u>The Company</u>	Short Leasehold Premises £	Plant & Machinery £	Furniture, Fixtures & Office Equipment £	Motor Vehicles £	Total £
<u>Cost</u>					
At 25th May 1993	111,015	173,934	224,069	70,406	579,424
Additions	446,625	4,479	-	-	451,104
Disposals	(111,015)	-	-	-	(111,015)
At 24th May 1994	446,625	178,413	224,069	70,406	919,513
<u>Depreciation and Amortisation</u>					
At 25th May 1993	39,287	153,426	207,806	55,170	455,689
For the year	44,663	6,342	3,252	3,048	57,305
Disposals	(39,287)	-	-	-	(39,287)
At 24th May 1994	44,663	159,768	211,058	58,218	473,707
<u>Net Book Value</u>					
At 24th May 1994	£401,962	£18,645	£13,011	£12,188	£445,806
At 24th May 1993	£71,728	£20,508	£16,263	£15,236	£123,735

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

10. FIXED ASSET INVESTMENTS

(a) <u>The Group</u>	<u>Group Companies</u> £	<u>Related Companies</u> £	<u>Other Companies</u> £	<u>Works of Art</u> £	<u>Total</u> £
<u>Cost</u>					
At 25th May 1993	1,907	3,850,575	975,342	494,467	5,322,291
Additions	-	96,722	399,725	4,085	500,532
	-----	-----	-----	-----	-----
At 24th May 1994	1,907	3,947,297	1,375,067	498,552	5,822,823
<u>Provision for Diminution in Value</u>					
At 25th May 1993 and at 24th May 1994	-	760,821	-	-	760,821
	-----	-----	-----	-----	-----
<u>Net Book Value</u>					
At 24th May 1994	£1,907	£3,186,476	1,375,067	£498,552	£5,062,002
	=====	=====	=====	=====	=====
At 24th May 1993	£1,907	£3,089,754	£975,342	£494,467	£4,561,470
	=====	=====	=====	=====	=====
(b) <u>The Company</u>					
<u>Cost</u>					
At 25th May 1993	646,478	1,308,128	975,342	494,467	3,424,415
Additions	-	-	399,725	4,085	403,810
	-----	-----	-----	-----	-----
At 24th May 1994	646,478	1,308,128	1,375,067	498,552	3,828,225
<u>Provision for Diminution in Value</u>					
At 25th May 1993 and at 24th May 1994	-	760,821	-	-	760,821
	-----	-----	-----	-----	-----
<u>Net Book Value</u>					
At 24th May 1994	£646,478	£547,307	1,375,067	£498,552	£3,067,404
	=====	=====	=====	=====	=====
At 24th May 1993	£646,478	£547,307	£975,342	£494,467	£2,663,594
	=====	=====	=====	=====	=====

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

10. FIXED ASSET INVESTMENTS (Continued)

Included in Group Companies are loans totalling £187,253 (1993 - £187,253).

Included in Other Companies is an amount of £958,342 (1993 - £958,342) relating to a company quoted on the London Stock Exchange. The market value of this investment at the balance sheet date was £6,340,421 (1993 - £2,672,034). Had this investment been sold at its market value, the taxation charge would have been £1,294,000 (1993 - £16,500, due to the availability of capital losses).

The group's interests in its related companies comprise:

	£	<u>1994</u>	£	<u>1993</u>	£
Share of net assets on acquisition					
Provision for diminution in value			692,004 (144,697)		1,003,742 (124,496)
			<hr/>		<hr/>
			547,307		879,246
Profit and loss account:					
Share of profits at 25.5.93	2,542,447			2,394,664	
Loan stock	616,124			616,124	
Provision for diminution in value	(616,124)			(616,124)	
			<hr/>		<hr/>
			2,542,447		2,394,664
			<hr/>		<hr/>
At 25th May 1993			3,089,754		3,273,910
Disposal					
Share of profit for year	41,911		-		(687,121)
Translation differences	54,811			56,525	
Dividend paid out of prior year profits	-			468,607	
Provision for diminution in value	-			(1,966)	
			<hr/>	(20,201)	
			<hr/>		<hr/>
			96,722		502,965
			<hr/>		<hr/>
At 24th May 1994			£3,186,476		£3,089,754
			<hr/> <hr/>		<hr/> <hr/>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

10. FIXED ASSET INVESTMENTS (Continued)

Subsidiaries

	<u>Country of Registration/ Incorporation</u>	<u>Proportion of Equity Capital Held</u>	<u>Principal Activity</u>
Polished Diamond Distributors Limited	England & Wales	100%	Diamond Dealing
London Star S.A. (Proprietary) Limited	South Africa	100%	Diamond Dealing
Roundhouse Recording Studios Limited	England & Wales	100%	Recording Studio
Echoworld Limited	England & Wales	75%	Recording Studio
Echocity Limited	England & Wales	75%	Recording Studio
Central Diamonds Limited	England & Wales	83%	Dormant
London Star Limited	England & Wales	100%	Dormant
Gungho Trading Limited	England & Wales	100%	Dormant
Gungho Investments Limited	England & Wales	100%	Dormant
SDC Nominees Limited	England & Wales	100%	Dormant
Star Industrial Holdings Limited	England & Wales	100%	Dormant
Star Diamond Company (Israel) Limited	Israel	80%	Dormant

Related Companies

London Star Diamond Co. (India) Ltd.	India	23%	Diamond dealing	31. 3.94
London Star Limited	U.S.A.	20%	Diamond dealing	31. 5.94
Star Diamond Trading Company (NY) Inc.	U.S.A.	20%	Diamond dealing	31. 7.94
Star Exploration S.A.	Luxembourg	24.5%	Dormant	

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

11. STOCKS

	<u>The Group</u>		<u>The Company</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	£	£	£	£
Goods for resale	3,801,152	2,530,548	2,421,957	974,940
Securities	1,854	181,135	1,854	181,135
	<u>£3,803,006</u>	<u>£2,711,683</u>	<u>£2,423,811</u>	<u>£1,156,075</u>

12. DEBTORS

Trade debtors	3,643,969	2,160,455	2,310,485	972,487
Group companies	-	-	588,495	175,123
Related companies	308,632	183,221	308,632	154,468
Corporation tax	-	49,000	-	49,000
Other taxation	56,264	16,658	56,051	16,264
Other debtors*	2,119,693	89,336	2,089,310	76,924
Prepayments	330,961	221,261	267,684	223,569
	<u>6,459,519</u>	<u>2,719,931</u>	<u>5,620,657</u>	<u>1,667,835</u>
Due within one year				
Due after one year:				
Other debtors	1,800,727	4,009,431	1,800,727	4,009,431
	<u>£8,260,246</u>	<u>£6,729,362</u>	<u>£7,421,384</u>	<u>£5,677,266</u>

* This includes £4,275 in respect of Mr. D.D. Fiszman's overdrawn current account, and £1,219 in respect of that of Mr. Bucks's in a subsidiary. These amounts, which were also the highest overdrawn balances during the year, have been repaid in full after the balance sheet date.

13. CREDITORS: Amounts falling due within one year

	<u>The Group</u>		<u>The Company</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	£	£	£	£
Bank overdrafts	405,414	267,360	-	-
Bank loans (unsecured)	4,034	5,896	-	-
Other loan	424,648	600,000	424,648	600,000
Trade creditors	4,720,495	1,942,536	3,979,160	732,997
Group companies	-	-	402,455	34,015
Related companies	157,809	27,058	27,962	27,058
Corporation tax	107,786	22,121	101,134	17,634
Other taxation and social security	116,972	70,570	25,533	30,839
Finance lease obligations*	-	5,235	-	-
Other creditors	47,843	37,201	10,022	4,721
Accruals	299,629	126,043	263,177	220,526
	<u>£6,284,630</u>	<u>£3,104,020</u>	<u>£5,234,091</u>	<u>£1,667,790</u>

* Secured by a fixed charge on the relevant assets.

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

	<u>The Group</u>		<u>The Company</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	£	£	£	£
14. <u>CREDITORS: Amounts falling due</u> <u>after more than one year</u>				
Finance lease obligations	-	3,930	-	-
Bank loan (unsecured)	-	1,490	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	£ -	£ 5,420	£ -	£ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The finance lease obligations were secured by way of a fixed charge on the relevant assets.

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided for by a subsidiary, being the potential liability in respect of capital allowances in advance of depreciation and amortisation, has been written back during the year as the provision is no longer required.

16. SHARE CAPITAL

	<u>1994</u>	<u>1993</u>
	£	£
<u>Authorised</u>		
200,000 'A' shares of £1 each	200,000	200,000
240,000 'B' shares of £1 each	240,000	240,000
800,000 'C' shares of £1 each	800,000	800,000
60,000 'D' shares of £1 each	60,000	60,000
	<u> </u>	<u> </u>
	£1,300,000	£1,300,000
	<u> </u>	<u> </u>
<u>Allotted, Called up and Fully Paid</u>		
155,000 'A' shares of £1 each	155,000	155,000
156,750 'B' shares of £1 each	156,750	156,750
400,000 'C' shares of £1 each	400,000	400,000
60,000 'D' shares of £1 each	60,000	60,000
	<u> </u>	<u> </u>
	£771,750	£771,750
	<u> </u>	<u> </u>

17. OTHER RESERVES

	<u>The Group</u>		<u>The Company</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	£	£	£	£
Capital redemption	528,250	528,250	528,250	528,250
Arising on consolidation	50,895	50,895	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	£579,145	£579,145	£528,250	£528,250
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

18. <u>PROFIT AND LOSS ACCOUNT</u>	<u>The Group</u>		<u>The Company</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	£	£	£	£
Retained profit for the year	677,122	1,433,241	637,685	1,705,616
Translation differences	54,811	468,607	-	-
	-----	-----	-----	-----
Increase in year	731,933	1,901,848	637,685	1,705,616
At 25th May 1993	10,305,393	8,403,545	7,147,718	5,442,102
	-----	-----	-----	-----
At 24th May 1994	<u>£11,037,326</u>	<u>£10,305,393</u>	<u>£7,785,403</u>	<u>£7,147,718</u>

19. SHAREHOLDERS' FUNDS

Shareholders' funds have increased by the increase in the profit and loss account as shown in note 18.

20. <u>NET CASH FLOW FROM OPERATING ACTIVITIES</u>	<u>1994</u>	<u>1993</u>
	£	£
Operating profit	867,159	655,836
Depreciation and amortisation	100,095	68,813
Loss (profit) on disposal of fixed assets	1,098	(6,235)
(Increase) decrease in stocks	(1,231,452)	1,777,471
Increase in debtors	(1,580,147)	(1,677,151)
Increase (decrease) in creditors	3,273,328	(106,253)
	-----	-----
	<u>£1,430,081</u>	<u>£ 712,481</u>

21. SALE OF SUBSIDIARY

Tangible fixed assets	4,187
Stocks	140,129
Debtors	263
Cash at bank and in hand	2,963
Creditors: amounts falling due within one year	(133,988)
Minority interest	(542)

	13,012
Profit on disposal	9,979

Satisfied by cash	<u>£ 22,991</u>

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

22.	<u>ANALYSIS OF CHANGES IN FINANCING</u>	<u>1994</u>	<u>1993</u>
	<u>Bank and Other Loans</u>	£	£
	At 25th May 1993	616,551	624,336
	Cash outflow from financing	(187,869)	(7,785)
		-----	-----
	At 24th May 1994	£428,682	£616,551
		=====	=====
23.	<u>CASH AND CASH EQUIVALENTS</u>		
a)	<u>ANALYSIS OF CHANGES DURING THE YEAR</u>		
	At 24th May 1994	606,117	254,281
	At 25th May 1993	254,281	(1,944,658)
		-----	-----
	Net cash inflow	£351,836	£2,198,939
		=====	=====
b)	<u>ANALYSIS OF BALANCES</u>	<u>24.5.94</u>	<u>25.5.93</u>
		£	£
	Cash at bank and in hand	1,011,531	521,641
	Bank overdrafts	(405,414)	(267,360)
		-----	-----
		£ 606,117	£ 254,281
		=====	=====
			<u>Change</u>
			<u>in Year</u>
			£
			489,890
			(138,054)

			£ 351,836
			=====
24.	<u>CONTINGENT LIABILITIES</u>		
	<p>The company has entered into guarantees of up to £13,266,998 (1993 - £13,029,316) in respect of bank facilities granted to related companies. The contingent liability at the balance sheet date amounted to £5,306,799 (1993 - £4,560,261).</p>		
	<p>The company has also entered into unlimited guarantees in respect of bank facilities granted to one subsidiary, and a guarantee of up to £90,000 (1993 - £90,000) in respect of bank facilities granted to another subsidiary. The contingent liability at the balance sheet date amounted to £402,083 (1993 - £246,315).</p>		
25.	<u>CAPITAL COMMITMENTS</u>	<u>1994</u>	<u>1993</u>
	Contracted but not provided for	£655,000	£ -
		=====	=====

STAR DIAMOND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24TH MAY 1994

26. PENSION COMMITMENTS

The company operates a non-contributory defined contribution pension scheme for its employees, the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid and payable by the company to the scheme and amounted to £7,314 for the year (1993 - £11,751).

The company also operates a non-contributory funded defined benefit pension scheme for one director. The assets of the scheme are held in a trustee administered fund. Contributions to the scheme are made in accordance with the advice of an independent qualified actuary in order to spread the pension costs over the expected remaining service life of the participating employee.

The latest actuarial valuation of the scheme was carried out as at 24th May 1993 using the aggregate funding method. The most significant actuarial assumptions having an effect on the contribution rate are those relating to the valuation rate of interest (10% p.a.) and the rates of increase in salaries and pensions (an average of 9.5% and 8% p.a. respectively). The valuation was £1,686,500. The pension charge for the year was £398,000 (1993 - £151,500).